

TOWN OF ROSEPINE
ANNUAL FINANCIAL STATEMENTS
WITH AUDITOR'S REPORT

JUNE 30, 2006

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

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INDEPENDENT AUDITOR'S REPORT

The Honorable James K. Harper, Mayor
and Members of the Board of Aldermen
Town of Rosepine, Louisiana

I have audited the accompanying financial statements of the governmental activities, the business-type activities and each major fund of the Town of Rosepine, Louisiana, as of and for the year ended June 30, 2006, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Rosepine, Louisiana's management. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinions.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities and each major fund of the Town of Rosepine, Louisiana, as of June 30, 2005, and the respective changes in financial position and cash flows, thereof and for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued my report dated October 27, 2006 on my consideration of the Town of Rosepine, Louisiana's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of my audit.

The budgetary comparison information on pages 29 and 30 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

The Town of Rosepine, Louisiana, has not presented management's discussion and analysis that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements.

The Honorable James K. Harper, Mayor
and Members of the Board of Aldermen

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Rosepine, Louisiana's basic financial statements. The schedules of per diem paid to board members, prior year audit findings, and current year audit findings are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedules of per diem paid to board members, prior year audit findings, and current year audit findings have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly I express no opinion on them.

John H. Windham, CPA

DeRidder, Louisiana
October 27, 2006

BASIC FINANCIAL STATEMENTS

Statement of Net Assets
June 30, 2006

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 259,981	\$ 74,492	\$ 334,473
Receivables:			
Franchise taxes	11,240	-	11,240
Accounts	-	38,049	38,049
Intergovernmental:			
Federal grants	152,414	-	152,414
State grants	1,888	-	1,888
Prepaid insurance	9,534	7,446	16,980
Due from other funds	41	2,744	2,785
Restricted assets	-	104,701	104,701
Capital assets, net	1,304,773	1,714,862	3,019,635
Bond issue cost, net	-	2,316	2,316
Total assets	<u>\$ 1,739,871</u>	<u>\$ 1,944,610</u>	<u>\$ 3,684,481</u>
LIABILITIES			
Accounts payable	\$ 12,627	\$ 10,221	\$ 22,848
Payroll taxes payable	2,341	-	2,341
Retirement payable	1,371	-	1,371
Due to other funds	2,785	-	2,785
Accrued interest payable	1,070	1,758	2,828
Customer deposits	-	33,488	33,488
Long term liabilities:			
Due within one year	30,516	36,264	66,780
Due in more than one year	183,000	580,851	763,851
Total liabilities	<u>\$ 233,710</u>	<u>\$ 662,582</u>	<u>\$ 896,292</u>
NET ASSETS			
Invested in capital asset - net of related debt	\$ 1,091,257	\$ 1,163,121	\$ 2,254,378
Restricted for:			
Bond retirement	-	15,132	15,132
Depreciation and contingencies	-	24,358	24,358
Customer deposits	-	1,338	1,338
Unrestricted	414,904	78,079	492,983
Total net assets	<u>\$ 1,506,161</u>	<u>\$ 1,282,028</u>	<u>\$ 2,788,189</u>
Total liabilities and net assets	<u>\$ 1,739,871</u>	<u>\$ 1,944,610</u>	<u>\$ 3,684,481</u>

The accompanying notes are an integral part of this statement.

Town of Rosepine, Louisiana

Statement B

Statement of Activities
For the Year Ended June 30, 2006

Program Activities	Program Revenues			Net (Expenses) Revenues and Changes in Net Assets		
	Expenses	Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities
Governmental activities:						
General government and administration	\$ 86,636	\$ -	\$ 253,336	\$ -	\$ 166,700	\$ -
Public safety	253,852	169,220	14,116	8,788	(61,728)	-
Public works	71,971	-	-	-	(71,971)	-
Interest on long term debt	7,614	-	-	-	(7,614)	-
Total governmental activities	\$ 420,073	\$ 169,220	\$ 267,452	\$ 8,788	\$ 25,387	\$ -
Business-type activities:						
Water and sewer	\$ 451,344	\$ 341,376	\$ -	\$ -	\$ -	\$ (109,968)
Total government	\$ 871,417	\$ 510,596	\$ 267,452	\$ 8,788	\$ 25,387	\$ (109,968)
					\$	\$ (84,581)
General revenues:						
Taxes:						
Ad valorem taxes		18,608				18,608
Sales taxes		-				89,846
Hotel/Motel tax		6,650				6,650
Insurance premium tax		20,232				20,232
Franchise tax		54,560				54,560
Occupational licenses and permits		14,926				14,926
Investment earnings		1,325				1,195
Insurance proceeds		12,891				-
Miscellaneous		1,621				1,952
Transfers		29,813				(29,813)
Total general revenues and transfers		160,626				63,180
Change in net assets		186,013				(46,788)
Net assets at beginning of year		1,320,148				1,328,816
Net assets at end of year		\$ 1,506,161			\$	\$ 1,282,028
						\$ 2,788,189

The accompanying notes are an integral part of the statement.

Balance Sheet
Governmental Funds
June 30, 2006

	Major Fund		Capital Project Fund		Total Governmental Funds
	General Fund		LCDBG Fire Protection Project		
ASSETS					
Cash and cash equivalents	\$ 250,006	\$	9,975	\$	259,981
Receivables					
Franchise taxes	11,240		-		11,240
Intergovernmental:					
Federal grants	152,414				152,414
State grants	1,888		-		1,888
Prepaid insurance	9,534		-		9,534
Due from other funds	-		41		41
Total assets	<u>\$ 425,082</u>	<u>\$</u>	<u>10,016</u>	<u>\$</u>	<u>\$ 435,098</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 12,627	\$	-	\$	12,627
Payroll taxes payable	2,341		-		2,341
Retirement payable	1,371		-		1,371
Due to other funds	2,566		219		2,785
Total liabilities	<u>\$ 18,905</u>	<u>\$</u>	<u>219</u>	<u>\$</u>	<u>\$ 19,124</u>
Fund Balances:					
Unreserved, reported in:					
General Fund	406,177		-		406,177
Capital project funds	-		9,797		9,797
Total fund balances	<u>\$ 406,177</u>	<u>\$</u>	<u>9,797</u>	<u>\$</u>	<u>\$ 415,974</u>
Total liabilities and fund balances	<u>\$ 425,082</u>	<u>\$</u>	<u>10,016</u>	<u>\$</u>	<u>\$ 435,098</u>

The accompanying notes are an integral part of this statement.

Reconciliation of the Governmental Funds Balance Sheet
to Statement of Net Assets
June 30, 2006

Total fund balance - total governmental funds		\$	415,974
Amounts reported for governmental activities in the statement of net assets are different because:			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds balance sheets.			1,304,773
Long-term liabilities including bonds payable are not due and payable in the current period and, therefore, are not reported in the governmental funds.			
Accrued interest payable	\$	(1,070)	
Bonds, notes, and leases payable		<u>(213,516)</u>	
			<u>(214,586)</u>
Net assets of governmental activities		\$	<u>1,506,161</u>

The accompanying notes are an integral part of this statement.

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2006

	Major Fund			Total Governmental Funds
	General Fund	Capital Project Fund LCDBG Fire	Protection Project	
Revenues				
Taxes:				
Ad valorem	\$ 18,608	\$ -	\$ -	\$ 18,608
Insurance premium tax	20,232	-	-	20,232
Franchise tax	54,560	-	-	54,560
Hotel/Motel tax	6,650	-	-	6,650
Intergovernmental:				
Federal grants	152,414	-	-	152,414
State grants	110,326	-	-	110,326
Local grants	13,500	-	-	13,500
Occupational licenses and permits	14,926	-	-	14,926
Investment income	1,325	-	-	1,325
Fines and forfeitures	132,200	-	-	132,200
Court fees	34,070	-	-	34,070
Witness fees	2,950	-	-	2,950
Other revenues	1,621	-	-	1,621
Total revenues	\$ 563,382	\$ -	\$ -	\$ 563,382
Expenditures				
Current operating:				
General government	\$ 80,982	\$ -	\$ -	\$ 80,982
Public safety	237,233	-	-	237,233
Public works	5,602	52,556	-	58,158
Debt service:				
Principal	34,086	-	-	34,086
Interest	7,685	-	-	7,685
Capital outlay	82,526	-	-	82,526
Total expenditures	\$ 448,114	\$ 52,556	\$ -	\$ 500,670
Excess (deficiency) of revenues over expenditures	\$ 115,268	\$ (52,556)	\$ -	\$ 62,712

(Continued)

The accompanying notes are an integral part of this statement.

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2006

	Major Fund			Total Governmental Funds
	General Fund	Capital Project Fund LCDBG Fire Protection Project		
Other financing sources (uses)				
Transfer in	\$ 29,813	\$ -		\$ 29,813
Insurance proceeds	12,891	-		12,891
Total other financing sources (uses)	\$ 42,704	\$ -		\$ 42,704
Net change in fund balance	\$ 157,972	\$ (52,556)		\$ 105,416
Fund balances at beginning of year	248,205	62,353		310,558
Fund balances at end of year	<u>\$ 406,177</u>	<u>\$ 9,797</u>		<u>\$ 415,974</u>
				(Concluded)

The accompanying notes are an integral part of this statement.

Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balance of Governmental Funds to the
Statement of Activities

For the Year Ended June 30, 2006

Net change in fund balances - total governmental funds	\$ 105,416
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the government-wide statement of activities and changes in net assets, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital assets recorded in the current period.	82,526
Depreciation expense on capital assets is reported in the government- wide statement of activities and changes in net assets, but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as an expenditure in governmental funds.	(36,086)
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	34,086
Accrued interest on long term debt is not shown in the governmental funds.	<u>71</u>
Change in net assets of governmental activities	<u>\$ 186,013</u>

The accompanying notes are an integral part of this statement.

Statement of Net Assets
Proprietary Fund
June 30, 2006

	Business-Type Activities - Enterprise Fund Water and Sewer
<u>Assets</u>	
Current assets	
Cash and cash equivalents	\$ 74,492
Receivables:	
Accounts	38,049
Prepaid insurance	7,446
Due from other funds	2,744
Total current assets	<u>\$ 122,731</u>
Noncurrent assets	
Restricted cash and cash equivalents	\$ 104,701
Capital assets, net	1,714,862
Bond issue cost, net	2,316
Total noncurrent assets	<u>\$ 1,821,879</u>
Total assets	<u><u>\$ 1,944,610</u></u>
<u>Liabilities</u>	
Current liabilities	
Accounts payable	\$ 10,221
Current portion of note payable	5,959
Current portion of lease payable	1,678
Total current liabilities	<u>\$ 17,858</u>
Liabilities payable from restricted assets	
Accrued interest payable	\$ 1,758
Customer deposits	33,488
Bonds payable	28,627
Total liabilities payable from restricted assets	<u>\$ 63,873</u>
Noncurrent liabilities	
Bonds, notes, and leases payable	<u>\$ 580,851</u>
Total liabilities	<u><u>\$ 662,582</u></u>
<u>Net Assets</u>	
Invested in capital assets - net of related debt	\$ 1,163,121
Restricted for:	
Bond retirement	15,132
Depreciation and contingencies	24,358
Customers deposits	1,338
Unrestricted	78,079
Total net assets	<u>\$ 1,282,028</u>
Total liabilities and net assets	<u><u>\$ 1,944,610</u></u>

The accompanying notes are an integral part of this statement.

Statement of Revenues, Expenses and Changes in Net Assets
 Proprietary Fund
 For the Year Ended June 30, 2006

	Business-Type Activities - Enterprise Fund Water and Sewer
Operating revenues	
Charges for services	\$ 341,376
Operating expenses	
Personal services	\$ 171,073
Supplies	11,500
Contractual services	129,854
Depreciation and amortization	100,957
Total operating expenses	\$ 413,384
Income (loss) from operations	\$ (72,008)
Nonoperating revenues (expenses)	
Sales taxes	\$ 89,846
Investment income	1,195
Interest expense	(37,960)
Miscellaneous	1,952
Total nonoperating revenues (expenses)	\$ 55,033
Income (loss) before transfers	\$ (16,975)
Transfers out	\$ (29,813)
Change in net assets	\$ (46,788)
Net assets at beginning of year	1,328,816
Net assets at end of year	\$ 1,282,028

The accompanying notes are an integral part of this statement.

Statement of Cash Flows
Proprietary Fund
For the Year Ended June 30, 2005

	Business-Type Activities - Enterprise Fund
	<u>Water and Sewer</u>
Cash flows from operating activities:	
Cash received from customers	\$ 342,884
Cash payments to suppliers for goods and services	(143,967)
Cash payments to employees for services	(175,669)
Net cash provided by operating activities	<u>\$ 23,248</u>
Cash flows from noncapital financing activities:	
Miscellaneous income received	\$ 1,952
Sales tax received	89,846
Due from other funds	(2,525)
Transfers out	(29,813)
Net cash provided by noncapital financing activities	<u>\$ 59,460</u>
Cash flows from capital and related financing activities:	
Interest paid on debt	\$ (38,332)
Retirement of debt	(32,285)
Net cash used by capital and related financing activities	<u>\$ (70,617)</u>
Cash flow from investing activities:	
Interest on cash and investments	<u>\$ 1,195</u>
Net increase (decrease) in cash and cash investments	\$ 13,286
Cash and Cash investments, July 1	165,907
Cash and Cash investments, June 30	<u>\$ 179,193</u>

(Continued)

The accompanying notes are an integral part of this statement.

Statement of Cash Flows
 Proprietary Fund
 For the Year Ended June 30, 2005

	Business-Type Activities - <u>Enterprise Funds</u>
	<u>Water and Sewer</u>
Reconciliation of (loss) from operations to net cash provided by operating activities:	
Loss from operations	\$ (72,008)
Adjustments to reconcile income (loss) from operations to net cash provided by operating activities:	
Depreciation/Amortization	\$ 100,957
Change in assets and liabilities:	
Increase in accounts receivable	(3,230)
Decrease in accounts payable	(1,112)
Increase in customer deposits payable	4,738
Increase in prepaid insurance	(1,501)
Decrease in payroll taxes payable	<u>(4,596)</u>
Net cash provided by operating activities	<u>\$ 23,248</u> (Concluded)

The accompanying notes are an integral part of this statement.

Notes to the Financial Statements
As of and for the Year Ended June 30, 2006

INTRODUCTION

The Town of Rosepine was incorporated under the provisions of the Lawrason Act. The Town operates under a Mayor-Board of Aldermen form of government.

The accounting and reporting policies of the Town of Rosepine conform to generally accepted accounting principles as applicable to governments. Such accounting and reporting procedures also conform to the requirements of Louisiana Revised Statutes 24:517 and to the guides set forth in the Louisiana Municipal Audit and Accounting Guide, and to the industry audit guide, Audits of State and Local Governmental Units.

The Town maintains various funds that provide services and benefits to its citizens including repairs and maintenance of approximately 7 miles of roads and streets, and water and sewer services to approximately 700 residents.

The Town is located within Vernon Parish in the southwestern part of the State of Louisiana and is comprised of approximately 1,500 residents. The governing board is composed of five elected aldermen that are compensated for regular and special board meetings. There are approximately six employees who maintain the water and sewer systems and handle the clerical work for the Town. The police department consists of an elected chief of police and approximately four patrolmen.

GASB Statement No. 14, *The Reporting Entity*, established criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. Under provisions of this Statement, the municipality is considered a primary government, since it is a special purpose government that has a separately elected governing body, is legally separate, and is fiscally independent of other state or local governments. As used in GASB Statement No. 14, fiscally independent means that the municipality may, without the approval or consent of another governmental entity, determine or modify its own budget, levy its own taxes or set rates or charges, and issue bonded debt.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the funds financial statements.

B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Notes to the Financial Statements (Continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The municipality reports the following major governmental funds:

The General Fund is the municipality's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Capital Project Fund accounts for LCDBG (Louisiana Community Development Block Grant) grant revenues that have been approved for certain specific projects undertaken by the town.

The municipality reports the following major proprietary fund:

The Proprietary Fund accounts for operations (a) where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges, or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the governments enterprise operations. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Charges for services of providing water and sewer services to residents comprise the operating revenue of the Town's enterprise fund. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expense, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the municipality's policy to use restricted resources first, and then unrestricted resources as they are needed.

Notes to the Financial Statements (Continued)

C. Deposits and Investments

The municipality's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. State law and the municipality's investment policy allow the municipality to invest in collateralized certificates of deposits, government backed securities, commercial paper, the state sponsored investment pool, and mutual funds consisting solely of government backed securities.

D. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All trade and property tax receivables are shown net of an allowance for uncollectibles. Property taxes are collected and remitted by the local sheriff, if taxes are not paid, a sheriff's sale is held and the property is sold to satisfy the taxes due on that property. Due to this, the majority, if not all property taxes are collected, therefore no allowance account for uncollectibles has been established. Water and sewer charges have customer deposits that have been collected in advance therefore the majority of all water and sewer billing is collected or taken out of the customer's deposit, any allowance account would be immaterial, therefore one has not been established.

Property taxes are levied on a calendar year basis and become due on January 1 of each year. The following is a summary of authorized and levied ad valorem taxes:

	<u>Authorized Mileage</u>	<u>Levied Mileage</u>	<u>Expiration Date</u>
Taxes due for:			
General corporate tax	5.07	5.07	Renewed Annually

The following are the principal taxpayers and related property tax revenue for the municipality:

<u>Taxpayer</u>	<u>Type of Business</u>	<u>Assessed Valuation</u>	<u>% of Total Assessed Valuation</u>	<u>Ad Valorem Tax Revenue for Municipality</u>
Gray Sales & Service	Car Sales	\$ 601,330	16.40%	\$ 3,049
Cleco	Utility Company	224,170	6.11%	1,137
Total		<u>\$ 825,500</u>	<u>22.51%</u>	<u>\$ 4,186</u>

Sales Taxes

The Town of Rosepine receives a one-percent sales tax, which is dedicated to the maintenance of the sewer system for a period of 40 years beginning December 14, 1972.

E. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Notes to the Financial Statements (Continued)

F. Restricted Assets

Certain proceeds of enterprise fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants.

Bond sinking funds - The Utility Revenue bonds dated November 1, 1995 require a monthly deposit into a sinking fund of \$2,600 for payment of principal and interest due each month. The Utility Revenue Refunding bonds dated June 1, 1998 require a sinking fund deposit paid monthly in advance on or before the 20th day of each month during the period June, 1998 through March, 1999, of \$2,919.94 and thereafter monthly in advance on or before the 20th day of each month of each year. Commencing April, 1999, a sum equal to one-sixth ($1/6^{\text{th}}$) of the interest falling due on the next interest payment date and a sum equal to one-twelfth ($1/12^{\text{th}}$) of the principal falling due on the next principal payment date, together with such additional proportionate sum as may be required to pay said principal and interest as the same respectively become due shall be deposited into the sinking fund.

Bond reserve funds - The Utility Revenue bonds dated November 1, 1995 require a monthly deposit into a reserve fund of \$130 until a \$31,200 balance is accumulated therein. Money in these accounts is used to pay the maturing principal and interest on the bonds when there is not sufficient money in the sinking funds.

Depreciation and contingency funds - the Utility Revenue bonds dated November 1, 1995 require a monthly deposit into a depreciation and contingency fund of \$133 for the life of the bond. Money in this account is used for repairs and replacement of the existing utility system. The Utility Revenue Refunding Bonds dated June 1, 1998 require a depreciation and contingency fund deposit paid monthly in advance on or before the 20th day of each month, commencing June, 1998, a sum at least equal to five percent (5%) of the amount to be paid into the sinking fund.

Cash collected from utility fund customers as deposits against future utility bills are classified as restricted assets and are held by the town in a custodial cash account entitled "Customer Deposits".

G. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are capitalized at historical cost or estimated cost if historical cost is not available. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. The municipality maintains a threshold level of \$1,000 or more for capitalizing capital assets.

According to GASB 34 the Town of Rosepine was not required to retroactively report infrastructure assets in its financial statements, therefore, these assets have not been reported in the financial statements.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. The total interest expense included during the current fiscal year was \$37,960. No interest was included as part of the cost of capital assets under construction in connection with the Town's construction projects.

All capital assets, other than land, are depreciated using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Roads, bridges, and infrastructure	40-50 years
Land improvements	40-50 years
Buildings and building improvements	40-50 years
Furniture and fixtures	5-15 years
Vehicles	5-10 years
Equipment	3-15 years

Notes to the Financial Statements (Continued)

H. Compensated Absences

The municipality has the following policy relating to vacation and sick leave:

Each fulltime and permanent municipal employee shall earn annual vacation and sick leave as follows:

Vacation

- Five (5) days with pay after one (1) year employment.
- Ten (10) days with pay after three (3) years employment.
- Fifteen (15) days with pay after six (6) years employment.
- Twenty (20) days with pay after nine (9) years employment.

Vacation days cannot be carried over from year to year.

The least amount of vacation taken at one time is one half (1/2) day.

Employees required to work on an observed holiday shall receive compensatory time off in the sanitation department or overtime pay. Holidays observed by the municipality shall not be counted as vacation leave.

Employees may not take pay instead of time off.

Leave from work with pay may be charged as sick leave if the absence is due to sickness, bodily injury, quarantine, required physical or dental examinations, or treatment, exposure to a contagious disease when continued work might jeopardize the health of others, illness in the immediate family of the employee which requires the care of the employee. All such absences, except those resulting from intemperance or immorality, shall be charged against the sick leave credit of the employee.

Each employee shall earn one (1) day for each month worked, provided, however no employee may accumulate more than ten (10) days of sick leave per year nor accumulate more than thirty (30) days of sick leave overall.

The least amount of time taken for sick leave is one half (1/2) day.

Sick leave may not be accumulated for an indefinite period, and there is no maximum amount of sick leave, which may be accumulated.

The mayor shall determine when a certificate from a doctor is required to substantiate the necessity of sick leave.

There will be no pay for unused leave upon resignation or retirement of an employee.

Sick leave may not be granted for maternity leave.

I. Long-Term Obligations

In the government-wide financial statements, and the proprietary fund type in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Notes to the Financial Statements (Continued)

J. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

K. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events within the control of the municipality, which are either unusual in nature or infrequent in occurrence.

L. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenditures, and expenses during the reporting period. Actual results could differ from those estimates.

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

BUDGET INFORMATION The municipality uses the following budget practices:

1. The Town Clerk and Mayor prepare a proposed budget and submit same to the Board of Aldermen no later than fifteen days prior to the beginning of each fiscal year.
2. A summary of the proposed budget is published and the public notified that the proposed budget is available for public inspection. At the same time, a public hearing is called.
3. A public hearing is held on the proposed budget at least ten days after the publication of the call for the hearing.
4. After the holding of the public hearing and completion of all action necessary to finalize and implement the budget, the budget is adopted through passage of an ordinance prior to the commencement of the fiscal year for which the budget is being adopted.
5. Budgetary amendments involving the transfer of funds from one department, program or function to another or involving increases in expenditures resulting from revenues exceeding amounts estimated require the approval of the Board of Aldermen. These amended amounts are shown in the financial statements.
6. All budgetary appropriations lapse at the end of each fiscal year.
7. The budget for the General Fund is adopted on a basis consistent with generally accepted accounting principles (GAAP). Budgeted amounts are as originally adopted, or as amended from time to time by the Board of Aldermen.

Notes to the Financial Statements (Continued)

3. CASH AND CASH EQUIVALENTS

At June 30, 2006, the municipality has cash and cash equivalents (book balances) totaling \$439,174 as follows:

Interest bearing demand deposits	\$	288,455
Demand deposits		22,795
Petty cash		500
Money market investment accounts		127,424
Total	\$	<u>439,174</u>

These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties.

At June 30, 2006, the municipality has \$439,739 in deposits (collected bank balances). These deposits are secured from risk by \$143,897 of federal deposit insurance and \$295,842 of pledged securities held by the custodial bank in the name of the fiscal agent bank (GASB Category 3).

Even though the pledged securities are considered uncollateralized (Category 3) under the provisions of GASB Statement 3, R.S. 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the municipality that the fiscal agent has failed to pay deposited funds upon demand. Other items concerning cash and cash equivalents are located at Note 1C.

4. RECEIVABLES

The receivables of \$203,591 at June 30, 2006, are as follows:

<u>Class of receivable</u>	<u>General Fund</u>	<u>Proprietary Fund</u>	<u>Total</u>
Taxes:			
Franchise	\$ 11,240	\$ -	\$ 11,240
Accounts	-	38,049	38,049
Federal grant	152,414	-	152,414
State grant	1,888	-	1,888
Total	<u>\$ 165,542</u>	<u>\$ 38,049</u>	<u>\$ 203,591</u>

5. INTERFUND RECEIVABLES/PAYABLES

The following due to/from balances exist due to payments made out of one fund that relate to the other fund. The balance in each respective due to/from account is expected to be paid within the current year.

	<u>Due from</u>	<u>Due to</u>
General fund	\$ -	\$ 2,566
Proprietary fund	2,785	41
Capital project fund	41	219
Total	<u>\$ 2,826</u>	<u>\$ 2,826</u>

Notes to the Financial Statements (Continued)

6. CAPITAL ASSETS

Capital assets and depreciation activity as of and for the year ended June 30, 2006, for the primary government is as follows:

	Beginning Balance	Increase	Decrease	Ending Balance
Governmental activities:				
Capital assets, not being depreciated				
Land	\$ 51,837	\$ 48,905	\$ -	\$ 100,742
Capital assets being depreciated				
Improvements other than buildings	393,496	894,714	-	1,288,210
Infrastructure	12,500	-	-	12,500
Machinery and equipment	98,978	33,621	-	132,599
Vehicles	52,330	-	-	52,330
Total capital assets being depreciated	557,304	928,335	-	1,485,639
Less accumulated depreciation for:				
Improvements other than buildings	166,616	14,103	-	180,719
Infrastructure	229	250	-	479
Machinery and equipment	47,102	14,048	-	61,150
Vehicles	31,575	7,685	-	39,260
Total accumulated depreciation	245,522	36,086	-	281,608
Total capital assets being depreciated, net	\$ 311,782	\$ 892,249	\$ -	\$ 1,204,031
	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Capital assets, not being depreciated				
Land	\$ 29,945	\$ -	\$ -	\$ 29,945
Capital assets being depreciated				
Buildings	80,584	-	-	80,584
Utility plant and improvements	3,407,645	-	-	3,407,645
Machinery and equipment	57,069	-	-	57,069
Vehicles	33,191	-	-	33,191
Total capital assets being depreciated	3,578,489	-	-	3,578,489
Less accumulated depreciation for:				
Buildings	51,607	2,165	-	53,772
Utility plant and improvements	1,676,323	91,042	-	1,767,365
Machinery and equipment	37,685	3,409	-	41,094
Vehicles	27,591	3,750	-	31,341
Total accumulated depreciation	1,793,206	100,366	-	1,893,572
Total business-type assets being depreciated, net	\$ 1,785,283	\$ (100,366)	\$ -	\$ 1,684,917

Notes to the Financial Statements (Continued)

Depreciation expense of \$36,086 for the year ended June 30, 2006, was charged to the following governmental functions:

Public works	\$ 13,813
Public safety	16,619
General administration	5,654
Total	<u>\$ 36,086</u>

7. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

	<u>Transfer in</u>	<u>Transfer out</u>
General fund	29,813	-
Proprietary fund	-	29,813
Total	<u>\$ 29,813</u>	<u>\$ 29,813</u>

8. ACCOUNTS, SALARIES, AND OTHER PAYABLES

The payables of \$26,560 at June 30, 2006, are as follows:

	<u>General Fund</u>	<u>Proprietary Fund</u>	<u>Total</u>
Withholdings	\$ 2,341	\$ -	\$ 2,341
Retirement	1,371	-	1,371
Accounts	12,627	10,221	22,848
Total	<u>\$ 16,339</u>	<u>\$ 10,221</u>	<u>\$ 26,560</u>

9. LEASES

The municipality records items under capital leases as assets and obligations in the accompanying financial statements. The following is an analysis of capital lease assets at June 30, 2006.

<u>Type</u>	<u>Recorded Amount</u>
Vehicle	\$ 24,508
Equipment	25,832
Total	<u>\$ 50,340</u>

The following is a schedule of the current (due in one year or less) and the long-term (due in more than one year) portions of capital leases as of June 30, 2006.

Current portion	\$ 9,389
Long-term portion	-
Total	<u>\$ 9,389</u>

Town of Rosepine, Louisiana

Notes to the Financial Statements (Continued)

The following is a schedule of future minimum lease payments under capital leases and the present value of the net minimum lease payments as of June 30, 2006.

Fiscal Year	Vehicle	Equipment	Total
2007	\$ 5,972	\$ 3,417	\$ 9,389
Total minimum lease payments	\$ 5,972	\$ 3,417	\$ 9,389
Less - amount representing interest	(135)	(60)	(195)
Present value of net minimum lease payments	\$ 5,837	\$ 3,357	\$ 9,194

10. LONG-TERM OBLIGATIONS

The following is a summary of the long-term obligation transactions for the year ended June 30, 2006.

	Proprietary Fund				Total
	Bonded Debt	Mortgage Note	Promissory Note	Capital Lease	
Long-term obligations at beginning of year	\$ 567,607	\$ 49,594	\$ 27,757	\$ 4,442	\$ 649,400
Additions	-	-	-	-	-
Principal payments	(26,121)	-	(5,558)	(2,765)	(34,444)
Reduction in deferred valuation account	2,159	-	-	-	2,159
Long-term obligations at end of year	\$ 543,645	\$ 49,594	\$ 22,199	\$ 1,677	\$ 617,115

	Governmental Funds		
	Certificates of Indebtedness	Capital Leases	Total
Long-term obligations at beginning of year	\$ 229,000	\$ 18,603	\$ 247,603
Additions	-	-	-
Principal payments	(23,000)	(11,087)	(34,087)
Long-term obligations at end of year	\$ 206,000	\$ 7,516	\$ 213,516

The following is a summary of the current (due in one year or less) and the long-term (due in more than one year) portions of long-term obligations as of June 30, 2006:

	Proprietary Fund				Total
	Bonded Debt	Mortgage Note	Promissory Note	Capital Leases	
Current portion	\$ 28,627	\$ -	\$ 5,959	\$ 1,677	\$ 36,263
Long-term portion	515,018	49,594	16,240	-	580,852
Total	\$ 543,645	\$ 49,594	\$ 22,199	\$ 1,677	\$ 617,115

	Governmental Funds		
	Certificates of Indebtedness	Capital Leases	Total
Current portion	\$ 23,000	\$ 7,516	\$ 30,516
Long-term portion	183,000	-	183,000
Total	\$ 206,000	\$ 7,516	\$ 213,516

Town of Rosepine, Louisiana

Notes to the Financial Statements (Continued)

All municipal bonds outstanding at June 30, 2005, for \$543,645, are revenue bonds with maturities from 2005 to 2035 and interest rates at 5% to 7.25%. Bond principal and interest payable in the next fiscal year are \$28,627 and \$34,426, respectively. The individual issues are as follows:

<u>Bonds</u>	<u>Original Issue</u>	<u>Interest Rate</u>	<u>Final Payment Due</u>	<u>Interest to Maturity</u>	<u>Principal Outstanding</u>	<u>Funding Source</u>
Utilities Revenue Refunding Bonds Series 1998	6/1/1998	7.25%	4/1/2010	17,772	89,157	Water revenues
Utilities Revenue Bonds	11/1/1995	5.50%	10/20/2035	494,514	454,488	Water revenues
Promissory note	11/4/1988	7.00%	11/20/2009	2,829	22,199	Water revenues
Certificate of Indebtedness	5/1/2004	2.75% to 4.00%	5/1/2014	33,821	206,000	Water revenues

<u>Year Ending June 30,</u>	<u>Principal Payments</u>	<u>Interest Payments</u>	<u>Total</u>
2007	57,586	40,246	97,832
2008	61,099	36,559	97,658
2009	63,748	34,299	98,047
2010	58,408	31,079	89,487
2011	33,287	28,081	61,368
2012-2016	127,240	119,422	246,662
2017-2021	57,221	98,779	156,000
2022-2026	75,722	80,278	156,000
2027-2031	100,205	55,795	156,000
2032-2036	132,604	23,396	156,000
2037	12,820	181	13,001
Total	<u>\$ 779,940</u>	<u>\$ 548,115</u>	<u>\$ 1,328,055</u>

In accordance with R.S. 39:562, the municipality is legally restricted from incurring long-term bonded debt in excess of 35% of the assessed value of taxable property. At June 30, 2006, the statutory limit is \$1,282,873, and outstanding bonded debt totals \$543,645.

The Town of Rosepine has a mortgage payable in the amount of \$49,594 carried on its books. This note arose years ago when a local subdivision developer paid to have Town water lines run throughout the subdivision. The Town agreed to charge new connecting customers a fee to tap into the Town water line and in turn pay the local developer. A note was signed between the Town and the land developer and the contract was honored for several years. The developer then went out of business and relocated. The Town has requested and received a legal opinion from their attorney that states the note should remain on the books but payments need not be made to the developer at this time. The Town is currently researching the note through their attorney. Any amount due under the contract as of June 30, 2006 would be immaterial to the Town's financial statements.

Notes to the Financial Statements (Continued)

11. RESTRICTED NET ASSETS

The Proprietary Fund – The Utility Fund had restricted net assets available as follows:

Restricted assets:	
Reserve and contingency accounts	\$ 57,055
Sinking fund	12,820
Customers' deposits	34,826
Total	<u>\$ 104,701</u>
Less:	
Liabilities payable from restricted assets:	
Customers deposits	\$ 33,488
Current portion of bond	28,627
Accrued interest on bond	1,758
Total	<u>\$ 63,873</u>
Restricted net assets	<u>\$ 40,828</u>

12. RETIREMENT SYSTEMS

Substantially all employees of the Town of Rosepine, are members of the following statewide retirement systems: Municipal Employees Retirement System of Louisiana and Municipal Police Employees Retirement System of Louisiana. These systems are cost-sharing, multiple-employer defined benefit pension plans administered by separate boards of trustees. Pertinent information relative to each plan follows:

A. Municipal Employees Retirement System of Louisiana (System)

Plan Description. The System is composed of two distinct plans, Plan A and Plan B, with separate assets and benefit provisions. All employees of the municipality are members of Plan B.

All permanent employees working at least 35 hours per week who are not covered by another pension plan and are paid wholly or in part from municipal funds and all elected municipal officials are eligible to participate in the System. Under Plan B, employees who retire at or after age 60 with at least 10 years of creditable service at or after age 55 with at least 30 years of creditable service are entitled to a retirement benefit, payable monthly for life equal to 2% of their final-average monthly salary in excess of \$100 for each year of creditable service. Furthermore, employees with at least 10 years of creditable service, but less than 30 years, may take early retirement benefits commencing at or after age 60, with the basic benefit reduced 3% for each year retirement precedes age 62, unless he has at least 30 years of creditable service. In any case, monthly retirement benefits paid under Plan B cannot exceed 100% of final-average salary. Final-average salary is the employee's average salary over the 36 consecutive or joined months that produce the highest average. Employees who terminate with at least the amount of creditable service stated above, and do not withdraw their employee contributions, may retire at the ages specified above and receive the benefit accrued to their date of termination. The System also provides death and disability benefits. Benefits are established or amended by state statute.

The system issues an annual publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the Municipal Employees Retirement System of Louisiana, 7937 Office Park Boulevard, Baton Rouge, Louisiana 70809, or by calling (225) 925-4810.

Funding Policy. Under Plan B, members are required by state statute to contribute 5.0% of their annual covered salary and the Town of Rosepine is required to contribute at an actuarially determined rate. The current rate is

Notes to the Financial Statements (Concluded)

9.75% of annual covered payroll. Contributions to the System also include one-fourth of 1% (except Orleans and East Baton Rouge parishes) of the taxes shown to be collectible by the tax rolls of each parish. These tax dollars are divided between Plan A and Plan B based proportionately on the salaries of the active members of each plan. The contribution requirements of plan members and The Town of Rosepine are established and may be amended by state statute. As provided by R.S. 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. The Town of Rosepine's contributions to the System under Plan B for the years ending June 30, 2006, 2005 and 2004, were \$7,866, \$7,556, and \$5,902, respectively, equal to the required contributions for each year.

B. Municipal Police Employees Retirement System of Louisiana (System)

Plan Description. All full-time police department employees engaged in law enforcement are required to participate in the System. Employees who retire at or after age 50 with at least 20 years of creditable service or after age 55 with at least 12 years of creditable service are entitled to a retirement benefit, payable monthly for life, equal to 3 1/3% of their final-average salary for each year of creditable service. Final-average salary is the employee's average salary over the 36 consecutive or joined months that produce the highest average. Employees who terminate with at least the amount of creditable service stated above, and do not withdraw their employee contributions, may retire at the ages specified above and receive the benefit accrued to their date of termination. The System also provides death and disability benefits. Benefits are established or amended by state statute.

The System issues an annual publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the Municipal Police Employees Retirement System of Louisiana, 8401 United Plaza Boulevard, Baton Rouge, Louisiana 70809-2250, by calling (225) 929-7411.

Funding Policy. Plan members are required by state statute to contribute 7.5% of their annual covered salary and the Town of Rosepine is required to contribute at an actuarially determined rate. The current rate is 16.25% of annual covered payroll. The contribution requirements of plan members and the Town of Rosepine are established and may be amended by state statute. As provided by R.S. 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. The Town of Rosepine's contributions to the System for the years ending June 30, 2006, 2005 and 2004, were \$9,881, \$11,488, and \$6,391, respectively, equal to the required contributions for each year.

REQUIRED SUPPLEMENTAL INFORMATION

General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual
For the Year Ended June 30, 2006

	Budgeted Amounts		Actual Amount Budgetary Basis	Budget to GAAP differences over(under)	Actual Amount GAAP Basis
	Original	Final			
Revenues					
Taxes:					
Ad valorem	\$ 16,600	\$ 18,608	\$ 18,608	\$ -	\$ 18,608
Insurance premium tax	14,700	20,232	20,232	-	20,232
Franchise tax	46,000	52,615	54,560	1,945	54,560
Hotel/Motel tax	9,900	6,650	6,650	-	6,650
Intergovernmental:					
Federal grants	-	152,414	152,414		152,414
State grants	-	111,529	110,326	(1,203)	110,326
Local grants	8,000	13,500	13,500	-	13,500
Occupational licenses and permits	11,000	14,926	14,926	-	14,926
Investment income	1,300	1,325	1,325	-	1,325
Fines and forfeitures	115,550	132,200	132,200	-	132,200
Court fees	32,000	34,697	34,070	(627)	34,070
Witness fees	-	2,950	2,950	-	2,950
Other revenue	217	-	1,621	1,621	1,621
Total revenues	\$ 255,267	\$ 561,646	\$ 563,382	\$ 1,736	\$ 563,382
Expenditures					
Current operating:					
General government	\$ 54,643	\$ 82,276	\$ 80,982	\$ 1,294	\$ 80,982
Public safety	199,955	268,087	237,233	30,854	237,233
Public works	4,500	8,530	5,602	2,928	5,602
Debt service:					
Principal	30,000	29,884	34,086	(4,202)	34,086
Interest	-	-	7,685	(7,685)	7,685
Capital outlay	28,225	66,904	82,526	(15,622)	82,526
Total expenditures	\$ 317,323	\$ 455,681	\$ 448,114	\$ 7,567	\$ 448,114

(Continued)

General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual
For the Year Ended June 30, 2006

	Budgeted Amounts		Actual Amount		Budget to GAAP differences over(under)	Actual Amount GAAP Basis
	Original	Final		Budgetary Basis		
Excess (deficiency) of revenues over expenditures	\$ (62,056)	\$ 105,965	\$	115,268	\$ 9,303	\$ 115,268
Other financing sources (uses):						
Transfers in	\$ 30,000	\$ 27,322	\$	29,813	\$ 2,491	\$ 29,813
Insurance proceeds	-	-		12,891	12,891	12,891
Total other financing sources (uses)	\$ 30,000	\$ 27,322	\$	42,704	\$ 15,382	\$ 42,704
Net change in fund balance	\$ (32,056)	\$ 133,287	\$	157,972	\$ 24,685	\$ 157,972
Fund balances at beginning of year	248,205	248,205		248,205	-	248,205
Fund balances at end of year	\$ 216,149	\$ 381,492	\$	406,177	\$ 24,685	\$ 406,177
						(Concluded)

OTHER SUPPLEMENTAL INFORMATION

Schedule of Per Diem Paid to Board Members
Year Ended June 30, 2006

<u>Board Member</u>	<u>Total Paid</u>
Carol Bosley	\$ 125
Karen Thibodeau	525
Jimmy Cryar	1,275
Todd Fazio	1,275
Jerry Wells	125
Bruce Ward	1,275
Dwain Ducote	850
Damon Johnson	325
	<u>\$ 5,775</u>

OTHER REPORTS

Schedule of Prior Year Audit Findings
Year Ended June 30, 2006

Findings - Financial Statement Audit

Audit Finding No. 1

Bank deposits not fully secured by pledged securities

Finding:

As of June 30, 2005 the Town of Rosepine had \$483,699 on deposit with Merchants and Farmers Bank, these deposits were secured by \$179,841 of federal deposit insurance along with \$135,081 of pledged securities market value. The total collateral was \$314,992 against the \$483,699 of deposits, thus leaving \$168,777 not secured by federal deposit insurance or pledged securities. This unsecured amount is a violation of state law.

Initial occurrence – June 30, 2005

Corrective action taken - Yes

Schedule of Current Year Audit Findings
Year Ending June 30, 2006

Findings – Financial Statement Audit

Audit Finding No. 1

Utility Fund Collection Problems

Finding – The Utility Fund billing register was 9.5% uncollected. This results in lost revenue for the Town. It was determined that the Town's disconnect policies were not being followed for delinquent accounts. There was also a lack of collection efforts on delinquent accounts.

TOWN OF ROSEPINE
Post Office Box 528
6666 Evans Street
ROSEPINE, LOUISIANA 70659
(337) 463-8908 Fax (337) 463-6935

RUCE E. WARD, JR., Mayor
ELISSA A. DAVIS, Town Clerk

TODD FAZIO, Alderman, Mayor-Pro Tem
DAMON JOHNSON, Alderman
DWAINE DUCOTE, Alderman
JAMES E. CRYER, Alderman
JEFF SOLINSKY, Alderman

November 7, 2006

The Honorable Steve J. Theriot, CPA
Legislative Auditor, State of Louisiana
1600 North 3rd Street
Baton Rouge, La 70802

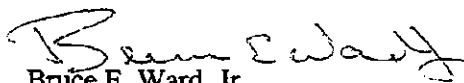
Dear Mr. Theriot,

Our auditor John Windham has reported a finding concerning Utility Fund Collection Problems on our FY 2005 - 2006 audit.

This finding occurred under previous administration. I took over as Mayor in the month of August 2006. Since then, all policies of the Town have been enforced. The meters have been read on a timely bases and disconnects for non-payments have been done monthly.

In the future all policies concerning collections will be enforced. If you have any questions please feel free to contact me.

Sincerely,


Bruce E. Ward, Jr.,
Mayor

BW/md

John A. Windham, CPA

A Professional Corporation

**1620 North Pine Street
DeRidder, LA 70634
Tel: (337) 462-3211
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John A. Windham, CPA

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

The Honorable James K. Harper, Mayor
and the Members of the Board of Aldermen
Town of Rosepine, Louisiana

I have audited the financial statements of the governmental activities, the business-type activities and each major fund of the Town of Rosepine, Louisiana, as of and for the year ended June 30, 2006, which collectively comprise the Town of Rosepine, Louisiana's basic financial statements and have issued my report thereon dated October 27, 2006. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the Town of Rosepine, Louisiana's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

I noted no matters involving the internal control over financial reporting and its operation that I consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Rosepine, Louisiana's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

I noted certain matters that I reported to management of the Town of Rosepine, Louisiana in a separate letter dated October 27, 2006.

The Honorable James K. Harper, Mayor
Town of Rosepine, Louisiana
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This report is intended solely for the information and use of management, others within the organization, the Board of Aldermen, and the Legislative Auditor and is not intended to be and should not be used by anyone other than these specified parties, although under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Jeffrey A. Windham, CPA

DeRidder, Louisiana
October 27, 2006